

Message Text

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PAGE 01 TANANA 01485 251319Z

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ACTION EB-11

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FM AMEMBASSY TANANARIVE

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E.O. 11652: N/A

TAGS: ETRD, EWWT, MA, US

SUBJECT: REQUEST FOR DEPARTMENT'S INTERVENTION WITH SHIPPING
LINES TO RESUME DIRECT SERVICE FROM U.S. TO MADAGASCAR

REF: MENDENHALL/SEARBY LETTER OF 8/28/74

FOR DEPUTY ASSISTANT SECRETARY SEARBY FROM THE AMBASSADOR

1. ON AUG 28 I WROTE YOU CONCERNING INCREASINGLY DAMAGING
EFFECTS WHICH LACK OF ANY DIRECT SHIPPING SERVICE FROM U.S.
TO MADAGASCAR IS HAVING ON OUR EXPORT PROMOTION EFFORTS
HERE. SINCE MY LETTER, FURTHER CONVERSATIONS WITH SOME OF
LARGEST IMPORTERS IN MADAGASCAR HAVE UNDERSCORED IMPORTANCE
OF PROBLEM.

2. ON SEPTEMBER 17 LARGEST LOCAL IMPORTER OF HEAVY
MACHINERY AND EQUIPMENT (HIGHLY SUCCESSFUL REPRESENTATIVE
FOR CATERPILLAR, JOHN DEERE, AND OTHER LARGE U.S. FIRMS)
COMPLAINED IN STRONGEST TERMS TO EMBASSY'S ECONOMIC/
COMMERCIAL OFFICER OF COSTLY DELAYS AND LOSSES THE FIRM IS
NOW INCURRING ON ORDERS FROM U.S. OWING TO PROBLEMS OF TRANS-
SHIPMENT AT DURBAN, SOUTH AFRICA. NOT ONLY IS 25 PERCENT
SURCHARGE ADDED TO FREIGHT CHARGES OF ALL GOODS TRANS-
SHIPPED AT DURBAN (MEANING ALL GOODS FROM U.S.), HE
REPORTED, BUT CONGESTION AND DELAYS AT DURBAN HAVE ADDED
TOTAL OF 5 TO 10 PERCENT TO COST OF GOODS IMPORTED FROM
U.S. ON THIS FIRM'S LATEST SHIPMENT OF U.S.-MADE
CATERPILLAR TRACTORS AND BULLDOZERS, VITAL PARTS OF

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PAGE 02 TANANA 01485 251319Z

EQUIPMENT WERE LOST OR MISPLACED IN DURBAN, FORCING THE

FIRM TO KEEP \$1/2 MILLION OF EQUIPMENT IDLE IN INVENTORY HERE UNTIL MISSING PIECES CAN BE LOCATED AND FORWARDED. ALL OF THESE PROBLEMS RECENTLY LED THIS IMPORTER TO ISSUE INSTRUCTIONS TO SUPPLIERS HENCEFORTH TO SEND EQUIPMENT ORDERS FROM ANY SOURCE OTHER THAN U. S. IF AT ALL POSSIBLE.

3. ALSO IN SEPTEMBER MADAGASCAR'S LARGEST MANUFACTURER OF SHOES, BATA, INC., INFORMED EMBASSY IT WOULD BE GLAD TO IMPORT MOST OF RAW MATERIAL IT REQUIRES (SOME 660 TONS OF POLYVINYL CHLORIDE ANNUALLY) FROM US., WERE IT NOT FOR EXCESSIVE COST AND DELAY OCCASIONED BY NEED TO TRANSSHIP AT DURBAN.

4. THIS MAJOR NEW DISINCENTIVE TO OUR EXPORTS TO MADAGASCAR COMES AT A PARTICULARLY UNFORTUNATE TIME, AS OTHERWISE OUTLOOK FOR EXPANSION OF U. S. EXPORTS HERE WOULD APPEAR INCREASINGLY PROMISING. WITH MALAGASY GOVERNMENT'S REMOVAL OF STRONG DISCRIMINATION AGAINST AMERICAN EXPORTS FROM ITS IMPORT LICENSING SYSTEM LAST YEAR, TOGETHER WITH DOLLAR DEVALUATIONS OF PAST FEW YEARS, MOST MAJOR IMPORTERS HERE REPORT THEY NOW FIND AMERICAN PRODUCTS INCREASINGLY ATTRACTIVE AND COMPETITIVE, APART FROM SHIPPING PROBLEM. FOR EXAMPLE, THIS PAST YEAR FOR FIRST TIME (TO BEST OF EMBASSY'S KNOWLEDGE) SUBSTANTIAL QUANTITY OF STEEL WAS IMPORTED FROM U.S., AND LEADING HEAVY EQUIPMENT IMPORTER MENTIONED ABOVE, ALSO FOR FIRST TIME, PLACED ORDER FOR OVER \$1 MILLION OF TRACTORS FROM U. S. THESE SORTS OF ORDERS, HOWEVER, SEEM UNLIKELY TO BE REPEATED UNLESS PROBLEM OF SHIPPING FROM U.S. CAN BE EASED OR RESOLVED.

5. ACTION REQUESTED: AS OUTLINED MY LETTER, I WOULD LIKE REQUEST THAT DEPARTMENTS OF STATE AND COMMERCE APPROACH MOORE-MCCORMACK LINES AT HIGHEST POSSIBLE LEVEL TO URGE RESUMPTION OF LINE'S DIRECT SHIPPING SERVICE TO AT LEAST ONE PORT IN MADAGASCAR. FIVE OR SIX STOPS PER YEAR SHOULD BE ENOUGH TO MAKE GREAT DIFFERENCE TO OUR EXPORTS HERE. ALTERNATIVELY, IF MOORE-MCCORMACK CANNOT BE BUDGED, I WOULD SUGGEST SIMILAR APPROACH TO FARRELL LIMITED OFFICIAL USE

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PAGE 03 TANANA 01485 251319Z

LINES (CURRENTLY SERVING SOUTH AFRICA) OR TO ANY OTHER SHIPPING LINE THAT MIGHT PROVIDE DIRECT SHIPPING FROM U.S.

6. IN ITS APPROACH TO MOORE-MCCORMACK OR OTHERS, DEPT MAY WISH TO POINT OUT THAT COMPLETION OF WORLD BANK-FINANCED PORT MODERNIZATION PROJECT FOR PORT OF TAMATAVE THIS PAST JULY HAS ADDED TWO NEW DOCKS AND FOUR NEW WAREHOUSES TO PORT'S FACILITIES, INCREASING OVERALL

CAPACITY 40 PERCENT AND GREATLY EASING FORMER CONGESTION AND DELAYS
AT TAMATAVE. SHIPS NO LONGER NEED REMAIN IN HARBOR
AWAITING DOCKING SPACE, AS WAS CASE WHEN MOOR-MCCORMACK
LAST SERVED MADAGASCAR IN 1972. MOREOVER, TAMATAVE IS
ONLY THREE DAYS EXTRA SAIL FROM DURBAN (ALREADY SERVED
BY MOORE-MACCORMACK), AND VOLUME OF MALAGASY EXPORTS TO
U.S. ALREADY JUSTIFIES DIRECT SHIPPING SERVICE FROM
MADAGASCAR TO U.S. CURRENTLY BY IRAN LINES). CURRENT
VOLUME OF MALAGASY EXPORTS TO U. S. TOGETHER WITH OUTLOOK
FOR SUBSTANTIALLY INCREASED VOLUME OF U.S. EXPORTS TO
MADAGASCAR (ONCE DIRECT SHIPPING IS RESTORED), AS OUTLINED
ABOVE, SHOULD JUSTIFY U.S. SHIPPING LINE EXTENDING ITS
SERVICE FROM DURBAN TO TAMATAVE AT LEAST HALF-DOZEN TIMES
PER YEAR.
MENDENHALL

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